



*McDowell Holdings Limited*  
(Formerly known as McDowell India Spirits Limited)

ANNUAL REPORT 2005 - 2006

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**BOARD OF DIRECTORS**

**DR. VIJAY MALLYA**  
Chairman

**A. HARISH BHAT**  
Managing Director

**N. SRINIVASAN**

**M. R. DORAISWAMY IYENGAR**

**V. S. VENKATARAMAN**

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**COMPANY SECRETARY**  
RITESH SHAH

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**AUDITORS**  
VISHNU RAM & CO., CHARTERED ACCOUNTANTS, BANGALORE

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**REGISTERED OFFICE**  
51, RICHMOND ROAD  
BANGALORE – 560 025



Your Directors have pleasure in presenting the Second Annual Report of your Company and the audited accounts for the year ended March 31, 2006.

The name of the Company has been changed from McDowell India Spirits Limited to McDowell Holdings Limited with effect from October 17, 2006, as part of the Composite Scheme of Arrangement.

In terms of a Composite Scheme of Arrangement sanctioned by the Hon'ble High Court of Karnataka, the Investment business of McDowell & Company Limited (since renamed as United Spirits Limited), was demerged into the Company, with retrospective effect from the opening hours of April 1, 2005. The dividend income on these investments has been accounted in the financial statement.

## FINANCIAL RESULTS

Particulars	For the Financial Year Ended 31-03-2006 (Rs.)
Income	4,547,352
Less : Expenditure	1,275,869
Profit for the year	3,271,483
Less : Income Tax provision	267,000
Less : Loss brought forward from previous year	178,690
<b>Balance carried forward to Balance Sheet</b>	<b>2,825,793</b>

## DIVIDEND

Your Directors do not recommend payment of dividend for the year under review in order to conserve the available surplus for business expansion.

## CAPITAL

During the year under review, the Authorised Share Capital was increased from Rs. 1,000,000 to

Rs. 150,000,000 divided into 15,000,000 equity shares of Rs. 10/- each on October 26, 2005.

In terms of the Composite Scheme of Arrangement sanctioned by the Hon'ble High Court of Karnataka, 12,094,281 equity shares (including fractional entitlement), of Rs. 10/- each fully paid were issued and allotted to the shareholders of United Spirits Limited (formerly known as McDowell & Company Limited), in the ratio of 1 equity share of Rs. 10/- fully paid up in respect of every 5 equity shares of Rs. 10/- each fully paid up, held in United Spirits Limited (formerly known as McDowell & Company Limited), on November 6, 2006. Consequently, the Issued, Subscribed and Paid up Share Capital stood increased from Rs. 500,000 divided into 50,000 equity shares of Rs. 10/- each to Rs. 121,442,810 divided into 12,144,281 equity shares of Rs. 10/- each.

Consequent upon the allotment of equity shares as aforesaid, your Company ceased to be a subsidiary of United Spirits Limited (formerly known as McDowell & Company Limited).

## PROSPECTS

Your Company is exploring opportunities for exploiting its existing brands and also acquire new brands and other lines of business.

## DIRECTORS

Mr. V.S. Venkataraman was appointed as an Additional Director on September 22, 2005, in terms of Section 260 of the Companies Act, 1956, and will hold office up to the date of the Annual General Meeting.

Dr. Vijay Mallya, Mr. N. Srinivasan and Mr. M.R. Doraiswamy Iyengar were appointed as Additional Directors on November 06, 2006, in terms of Section 260 of the Companies Act, 1956, and will hold office up to the date of the Annual General Meeting.

Notices in writing have been received by your Company from certain members signifying their

intention to propose the appointment of Mr. V.S. Venkataraman, Dr. Vijay Mallya, Mr. N. Srinivasan and Mr. M.R. Doraiswamy Iyengar as Directors at the Annual General Meeting.

The Board of Directors of the Company, at their meeting held on November 6, 2006, appointed Mr. A. Harish Bhat as Managing Director of the Company in terms of Section 269 of the Companies Act, 1956, for a period of three years with effect from November 6, 2006, without remuneration, subject to the approval of the Shareholders at the Annual General Meeting. Mr. A. Harish Bhat shall not be subject to retirement by rotation during his tenure as the Managing Director of the Company.

Mr. P.A. Murali, who was appointed as an Additional Director on September 22, 2005, resigned from the Board with effect from November 6, 2006.

Mr. I.P. Suresh Menon and Mr. R.N. Pillai resigned from the Board with effect from November 6, 2006. The Board places on record its appreciation of the valuable services rendered by Messrs P.A. Murali, I.P. Suresh Menon and R.N. Pillai during their tenure of office as Directors of your Company.

### AUDITORS

M/s. Vishnu Ram & Co., your Company's Auditors are eligible for re-appointment at the Annual General Meeting and it is necessary to fix their remuneration.

### LISTING OF EQUITY SHARES OF THE COMPANY

In terms of the Composite Scheme of Arrangement (the Scheme), the Company has allotted equity shares to the shareholders of United Spirits Limited (formerly known as McDowell & Company Limited), as per the ratio specified in the Scheme. Your Company has taken steps to list its equity shares with Bangalore Stock Exchange Limited, Bombay Stock

Exchange Limited, National Stock Exchange of India Limited, Madras Stock Exchange Limited, The Delhi Stock Exchange Association Limited, The Calcutta Stock Exchange Association Limited and Ahmedabad Stock Exchange Limited, in terms of the Scheme.

In view of the listing of equity shares of your Company with the Stock Exchanges, your Company has reconstituted the Board and set up Audit Committee and Shareholders / Investors Grievance Committee on November 6, 2006. The Audit Committee and Shareholders / Investors Grievance Committee comprise of the following members :

#### Audit Committee

1. Mr. N Srinivasan : Chairman – Non Executive Independent Director
2. Mr. M R Doraiswamy Iyengar : Non Executive Independent Director
3. Mr. V S Venkataraman : Non Executive Director

#### Shareholders / Investors Grievance Committee

1. Mr. M R Doraiswamy Iyengar : Chairman – Non Executive Independent Director
2. Mr. V S Venkataraman : Non Executive Director

### DESPATCH OF SHARE CERTIFICATES / CREDIT TO DEMAT ACCOUNTS

The share certificates in respect of shareholders who have opted for holding shares in physical form and credit to demat account in respect of shareholders who have opted for holding shares in demat form will be despatched / credited to demat account upon receipt of the approval from the Stock Exchanges.



## DEMATERIALIZATION OF EQUITY SHARES

The equity shares of your Company have been admitted to National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSIL) to facilitate trading in electronic form.

As the depository system offers numerous advantages, members are requested to take advantage of the same and avail of the facility of dematerialisation of the Company's equity shares.

## CORPORATE GOVERNANCE

As the equity shares of the Company are yet to be listed with the Stock Exchanges, the Corporate Governance Report and Management Discussion Analysis Report will be included in the Annual Report next year.

## CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

The details relating to Conservation of Energy and Technology Absorption pursuant to Section 217(1) (e) of the Companies Act, 1956, are not applicable.

## FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year under review, the Company had no transactions in foreign exchange.

## EMPLOYEES

The Company has no employee in respect of whom Statement under Section 217 (2A) of the Companies Act, 1956, is required to be annexed.

## FIXED DEPOSITS

The Company has not accepted any deposits from the public during the year.

## DIRECTORS' RESPONSIBILITY STATEMENT

As required in terms of Section 217 (2AA) of the Companies Act, 1956, your Directors wish to state that:

- a. In the preparation of the Annual Accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- b. The Directors had selected such Accounting Policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit for the year;
- c. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d. The Directors had prepared the Annual Accounts on a going concern basis.

## ACKNOWLEDGEMENT

Your Directors would wish to acknowledge the co-operation, understanding and support extended by the Central and State Governments, Local Authorities, Shareholders, Bankers, Customers and Creditors.

By Authority of the Board

Bangalore  
November 23, 2006

**DR. VIJAY MALLYA**  
Chairman

To  
The Members of  
**McDOWELL INDIA SPIRITS LIMITED.**  
(Since changed to McDowell Holdings Limited)

1. We have audited the attached Balance Sheet of **McDowell India Spirits Limited** (Since changed to McDowell Holdings Limited), as at 31<sup>st</sup> March 2006, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (1 of 1956), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the annexure referred to above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
- iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- v. On the basis of the written representation received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31-03-2006 from being appointed as a director in terms of clause (g) of sub-section (1) to section 274 of the Companies Act, 1956.
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India;
  - a. in the case of the Balance Sheet, of the state of affairs of the Company as at 31-03-2006;
  - b. in the case of the Profit and Loss account, of the **profit** for the year ended on that date; and
  - c. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Vishnu Ram & Co.,**  
Chartered Accountants,

(**S. Vishnumurthy**)  
Proprietor.

Bangalore  
November 23, 2006

Membership No. 22715